

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY LAGOS PRIORITY

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E.O. 11652: N/A

TAGS: EINV, NI

SUBJECT: AMERICAN INTERNATIONAL INSURANCE CO.

REF: LAGOS 5141

1. SENIOR AIIC OFFICIALS FROM NEW YORK MET WITH DEPUTY ASSISTANT SECRETARY MULCAHY AND OTHER DEPARTMENT OFFICERS 3 JUNE TO REVIEW AIIC'S NIGERIA PROBLEMS. POSITION DESCRIBED AS REPORTED REFTEL BUT WITH NEW AIIC DECISION THAT IT WOULD NOW ACCEPT NON-REPATRIATION OF PRE-1974 EARNINGS IF FMG WOULD ALLOW COMPANY TO CAPITALIZE THOSE EARNINGS AND ISSUE NEW SHARES ACCORDINGLY AND REPATRIATE ALL OF 1974 PROFITS. BEYOND THAT, AIIC AND ITS PARENT GROUP ADAMENT AGAINST ANY FURTHER CONCESSIONS, FEARING TO DO SO WOULD COMPROMISE THEIR POSITION IN ANTICIPATED NEGOTIATIONS IN YEARS AHEAD FOR GREATER FMG OWNERSHIP OF COMPANY, AND ADVERSE IMPACT OF FURTHER CONCESSIONS ON AIIC SISTER COMPANIES IN OTHER COUNTRIES.

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2. SAME OFFICIALS MET EARLIER 3 JUNE WITH NIGERIAN AMBASSADOR GARBA, WHO, ACCORDING TO THEM, SURPRISINGLY SYMPATHETIC TOWARD AIIC'S POSITION, SUGGESTED THEY DISCUSS CASE WITH DEPARTMENT, OPIC, AND EXIMBANK, AND PROMISED TO LOOK INTO THE PROBLEM WHEN HE IS IN LAGOS IN JULY. ASSISTANT SECRETARY DAVIS INTENDS CALL IN AMBASSADOR GARBA AND DELIVER AIDE MEMOIRE ON PROBLEM.

3. AIIC OFFICIALS BELIEVE MUCH OF THEIR PROBLEM RELATED TO LOW LEVEL OF NIGERIANS CONSIDERING THEIR CASE AND PERHAPS INSUFFICIENT VARIETY OF MINISTRIES INVOLVED. HIGHEST OFFICIAL, ACCORDING TO THEM, HAS BEEN PERMSEC MINISTRY OF TRADE. AIIC OFFICIALS BELIEVE FMG AT SENIOR LEVELS WOULD NOT WANT BLOT ON NIGERIA'S RECORD AS COUNTRY THAT WELCOMES AND NEEDS PRIVATE FOREIGN INVESTMENT. AIIC FULLY INTENDS TO MAKE RECORD KNOWN IF NIGERIA FORCES ACQUISITION OF SHARES AT WHAT COMPANY CONSIDERS EXPROPRIATION PRICES. AIIC OFFICIALS AGREE, HOWEVER, THAT PUBLICITY SHOULD BE MUTED WHILE THERE STILL HOPE FOR FURTHER DISCUSSIONS WITH FMG.

4. EMBASSY WILL RECALL THAT PREVIOUS AIIC-FMG DISCUSSIONS PUT BACK ON TRACK WHEN SENIOR, RESPONSIBLE NIGERIAN OFFICIALS BECAME INVOLVED--E.G., THEN PERMSEC FINANCE AYIDA (LAGOS 11638 DEC 19 1974). DEPARTMENT BELIEVES IT IMPORTANT TO U.S.-NIGERIA RELATIONS AND NIGERIA'S OWN INTERESTS IN ATTRACTING PRIVATE U.S. INVESTMENT THAT MATTER BE BROUGHT TO ATTENTION OF APPROPRIATE SENIOR FMG OFFICIALS BEFORE FEDERAL EXECUTIVE COUNCIL ACTS ON SHARES ON TERMS UNACCEPTABLE TO AIIC--THE NEXT STEP IN SCENARIO AS DESCRIBED BY AIIC OFFICIALS. THUS, REQUEST EMBASSY, PERHAPS INCLUDING DURING AMBASSADOR'S COURTESY CALLS, INFORM APPROPRIATE SENIOR OFFICIALS OF PROBLEM AND ATTEMPT HAVE THEM REOPEN DISCUSSIONS AT SENIOR LEVEL WITH AIIC REPRESENTATIVES. NOTTINGHAM INTENDS RETURN TO LAGOS FOR INSURANCE INDUSTRY MEETING IN JULY, BUT PREPARED RETURN EARLIER IF FRUITFUL DISCUSSIONS IN OFFING. PERHAPS SMG AYIDA, WHO ONCE ENGAGED WITH AIIC CASE AND WOULD BE RESPONSIBLE FOR INSCRIBING AIIC CASE ON FEC AGENDA, MIGHT BE APPROACHABLE. PLEASE ADVISE ASAP ACTION LIMITED OFFICIAL USE

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TAKEN AND PROSPECTS FOR FURTHER DISCUSSIONS AS EMBASSY SEES THEM.

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